From:	Avi Tiomkin <ATiomkin@atglobalcap.com>
To:	ehud barak <ehbarak1@gmail.com>
CC:	Nili Priell Barak (nilipriell@gmail.com) <nilipriell@gmail.com>
Date:	Tue, 3/31/2015 7:25:46 PM
Subject:	FW: Macau Casino Analysts Slash Forecasts as Downturn Accelerates(Bloomberg)

Macau Casino Analysts Slash Forecasts as Downturn Accelerates (Bloomberg)

Facebook Twitter Instagram Youtube
by Stephanie WongLisa Pham
3:40 AM EDT
March 31, 2015

(Bloomberg) -- Analysts are racing to slash their forecasts for Macau casino revenue this year after a lackluster Lunar New Year showed the pace of the downturn is accelerating.

Gross gambling revenue is now expected to fall 21 percent this year, according to the median estimate of 13 analysts surveyed by Bloomberg, more than than doubled their projected decline two months ago. That would cut total annual casino receipts for the Chinese gaming enclave to about 277.7 billion patacas ($34.8 billion), the smallest take since 2011.

As recently as January, analysts were evenly split over whether Macau casino revenue would shrink at all this year and the median prediction was for an 8 percent decline. Now CLSA has the gloomiest estimate, with a 26 percent drop, in the latest survey, while the most optimistic sees a 9 percent contraction.

“We’ve lived through downturns before and said to people things were going to be OK and they were OK, but this time we got it wrong.” said Aaron Fischer, a Hong Kong-based analyst at CLSA Ltd., who almost tripled his projected decline from 9 percent in a December report. “I wasn’t as conservative before.”

Macau casinos saw their first-ever drop in annual revenue last year as the Chinese economy slowed and President Xi Jinping expanded his battle to curb corruption in the ruling Communist Party. Xi’s campaign -- now into its third year -- has hurt sales of luxury goods and kept away high rollers who helped the former Portuguese colony’s gambling industry grow to about seven times the size of the Las Vegas Strip.

None of the analysts were more downbeat than Macau’s own government, which last week slashed its average monthly forecast to a figure that would represent a 32 percent plunge from last year.

Gloomy Views

Casino operators including Sands China Ltd. and Galaxy Entertainment Group Ltd. have seen about $19.4 billion in market value wiped out in the first quarter this year.

CLSA now expects that the industry won't start to recover until next year, rather than the second half of 2015, as it had previously predicted, Fischer said.

Macau's gambling regulator could as early as tomorrow report the city's second-worst monthly casino revenue. The figure would probably drop 40 percent, according to a median estimate of nine analysts surveyed by Bloomberg.

That would be Macau's 10th-straight month of decline, after experiencing its biggest-ever fall -- 49 percent -- in February, due to weak demand over the Lunar New Year holiday.

Adjustment Period

VIP business could face more trouble as the government considers expanding its casino smoking ban to include gaming rooms that cater to the highest-stakes gamblers. Hourly cigarette breaks could cut playing time by about 20 percent, directly impacting gaming activity, according to Bloomberg Intelligence.

Macau has entered an "adjustment" period of slower growth and needs to develop a broader range of attractions to draw travelers and fulfill the government's goal of making the city a global tourism center, Chief Executive Fernando Chui said last week in his annual policy address.

As Macau diversifies its economy, casino operators are opening new resorts and adding shops, restaurants and entertainment shows to woo tourists. Galaxy will open its expanded resorts on May 27, the first of the city's six big operators to open a new facility.

That project -- followed by Melco Crown Entertainment Ltd.'s Studio City and a new Sands China resort -- will open the next year and they together will add more than 4,000 hotel rooms in the only Chinese city where gambling is legal, according to Bloomberg Intelligence. That would be a 25 percent increase from the current level.

Gaming Tables

The expansion could help lure more overnight visitors, who spend about five times more than day-trippers, Bloomberg Intelligence said.

Analysts are watching closely the number of gambling tables the government will grant for new projects, Fischer of CLSA said. Both Galaxy and Melco's new properties have the capacity to add as many as 500 tables, although the market expects an increase of 100-200, he said.

"There's a risk that the companies don't receive as many tables as they'd like," he said. "If they received a bad number -- and that's 100 -- that would be a negative for the entire sector."

Rand Frohlich
Watermill Institutional Trading
AIM: RandFrohlich
Direct: (917) 621-3855
Main: (917) 621-3800
Mobile: (917) 861-0598